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A high-yield wheat variety in India

Foreign Cotton Area And Production Expand

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In Uttar Pradesh, India's foremost wheat producing State, a plant breeder's hands hold a new variety of high-yield wheat. To expand grain production, India is developing improved seeds. See report, page 14.

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Foreign Cotton Area Expands, U.S. Export Prospects Improve

By WILLIAM L. DAVIS
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Foreign Agricultural Service

PROSPECTS FOR a 17 percent increase in U.S. cotton plantings in 1976 may not be duplicated overseas, according to reports from U.S. Agricultural Attachés.

Based on reports from 16 important foreign producing countries, total foreign cotton area in 1976/77 is forecast 4 percent above that planted in 1975/76. Foreign production, however, could recover more—perhaps by 9 percent—based on average yields.

With a recovery to trendline consumption in prospect, foreign demand for U.S. cotton should rise in 1976/77 to 3.7-4.7 million bales from the 3.0-3.5 million projected for 1975/76.

The forecast of the 4 percent rise in total foreign cotton area is an aggregate of information from Attachés in 16 countries, a forecasting model for 44 countries, Soviet plans, and other information and assumptions regarding the remaining countries. The survey by the Attachés suggested that cotton area in the 16 important foreign countries would rise by 6 percent, or 1 million acres.

A forecast of the 1976/77 area in 44 foreign non-Communist cotton exporting countries by a model using time-trend, stocks, and prices also indicated a 6 percent (1.6 million acre) rise in cotton area. Cotton area in the USSR was assumed to again rise by 1 percent based on the planned increase in irrigated cotton area in Uzbekistan.

These indicators were expanded into a foreign total for 1976/77 of about 68-69 million acres, compared with 65.7 million in 1975/76 and the 1969-73 average of 69.2 million. With better absolute and relative grower prices in the United States, prospective 1976/77 U.S. plantings will be 17 percent above those of 1975/76, according to the Statistical Reporting Service's January survey.

Attachés reported that inputs—whose prices were generally expected to continue to rise though at a more moderate rate than in the past—will probably be adequate overseas. In fact, fertilizer prices may be lower in a few countries.

A return to cotton in some countries in 1976/77 could be moderated by high support prices for food crops or dissatisfaction with 1975/76 cotton yields, lowered by insects, weather, and, perhaps, reduced inputs.

Developments in market prices, government policies, and weather before planting could induce change. Also 40 percent of the area reported on by Attachés is in the Southern Hemisphere, where cotton will not be planted until late 1976—more than ample time for farmers to change their plans.

Even so, the Attachés record in forecasting area has been good. In the two previous such efforts, aggregate area projections were only 3 percent above actual for 1974/75 and 2 percent above for 1975/76—a year of record decline.

Translating the area information into a production forecast carries more risk of error. FAS forecasts were 6 percent under actual foreign production for 1974/75 and 6 pecent over estimated production for 1975/76. These differences reflect errors in individual country area estimates magnified by variations in yields from country to country and the vagaries of weather, insects, and disease.

ASSUMING AVERAGE yields, 1976/77 foreign cotton production would total 50.5-51.0 million bales. Foreign yields have been trending upward, though there are signs that the strong upward thrust has moderated. A slowdown in rate of increase would be expected at some point. But it remains to be seen if average yields of the recent past are now more representative than the longer term trend indicates.

A return to trendline consumption overseas would push 1976/77 foreign mill use to 55.2-55.7 million bales. A resumption of the above-trend growth recorded during 1972/73 and 1973/74 would mean an additional 500,000-1 million bales of foreign consumption.

Prospects appeared good in January for attaining at least trendline consumption levels in 1976/77, putting foreign consumption 4.2-5.2 million bales above foreign production.

For 1975/76, this deficit was estimated at over 7 million bales, with some 4 million bales covered from the exceedingly high carryin stocks in foreign exporting countries and the remainder by United States exports.

Foreign stocks could cover some of the projected 1976/77 foreign cotton deficit, but probably not much. Overseas, there should be some transfer of stocks from exporting to importing countries on improved demand. Net foreign stock change in 1976/77 will greatly depend on government policies.

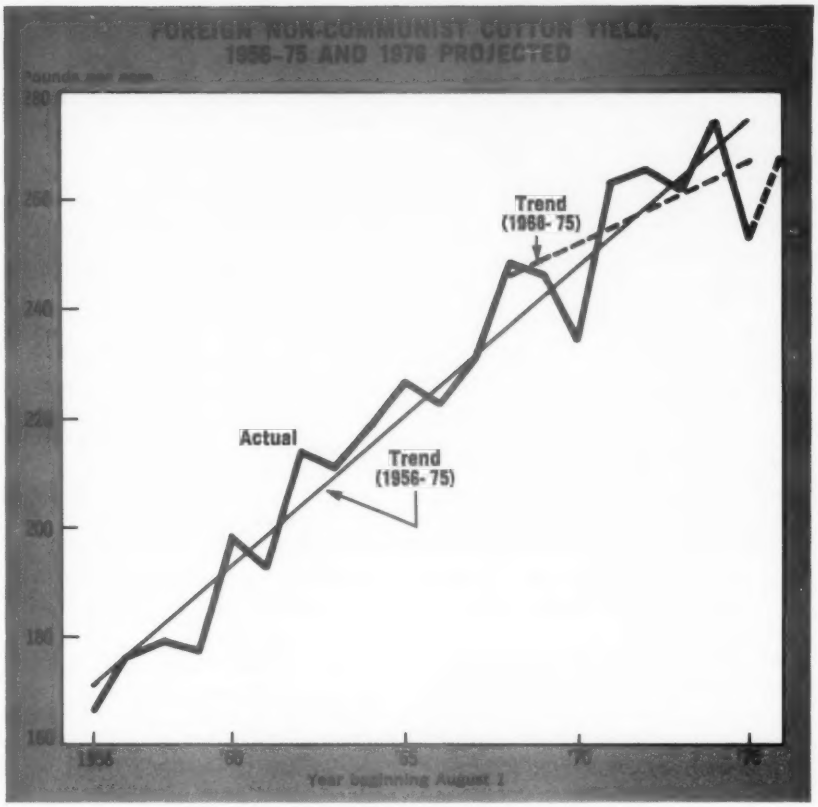
During the 1973/74 demand boom and price runup, stocks in exporting countries actually rose as governments sought to assure domestic mill requirements and maximize foreign exchange earnings and farm income. On balance, a small drawdown appears the most likely prospect.

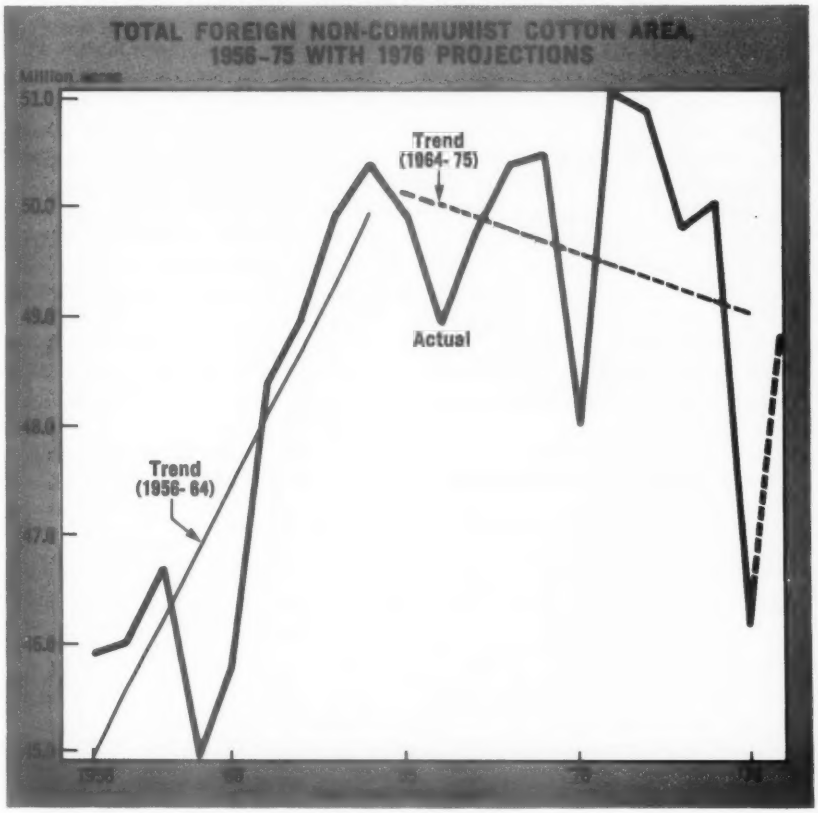
Consequently, implied export demand for U.S. cotton could rise 12 to 42 percent above that projected for 1975/76. In mid-January, prospects were good for foreign demand for U.S. cotton to attain the mid-point (4.2 million bales) of this range.

Since the mid-1960's, total cotton area in foreign non-Communist countries has increasingly responded to cotton prices and prices for alternative crops. As foreign cotton demand rose in 9 of the last 11 years, this increased price response reflected the removal of the U.S. price umbrella, increased alternative land uses, the improved competitive position of U.S. cotton producers in world markets, and higher foreign yields.

The strong upward thrust in foreign non-Communist yields appears to have moderated since 1968. In fact, the trend since 1971 has been almost flat. Continued significant improvement in average foreign non-Communist yields may have to come chiefly through yield increases in regions of large acreage and low yields—the Indian subcontinent and Africa south of the Sahara.

Mexico has demonstrated more flexibility than any foreign cotton producing country during recent years. Planted acreage in 1976/77 could increase 20 percent above that of 1975/76 and still be only half the 1974/75 level.





Recent world price rises may have come too late to influence many Mexican farmers. Also, the Mexican Government set 1975 support prices for soybeans at $7.62 per bushel and at $3.56 per bushel for corn but did not continue market supporting cotton purchases.

In contrast to Mexico, Central American producers are expected to increase plantings above average levels, but not up to the 1974/75 high.

ATTACHES REPORTED that Near Eastern cotton farmers, having made their most dramatic shift from cotton to other crops in 1975/76, will show little if any return to cotton during 1976/77.

In Turkey, some increase in cotton area was again expected in the southeast. This increase will be limited by the number of new wells that can be drilled for irrigation and available power to run the pumps.

Offsetting this was an expected further encroachment of high-yielding wheat varieties on irrigated cotton land in the south as farmers there responded to relatively high wheat support prices based on dry land yields.

For Iran and Syria, no rises were expected in cotton area and further marginal shifts away from cotton were considered possible. In Greece, the 12 percent diversion to other crops from cotton during 1975/76 was expected to return to cotton during 1976/77 on the prospect of lower tomato prices. In all four of these countries, recent advances in cotton prices could induce higher than expected plantings.

At the turn of the year in Pakistan, there were no strong indications of recovery from the 6 percent decline in area in 1975/76. However, with relatively low production costs, cotton farmers there could also react to recent price strength.

Also, the Government of Pakistan takes a keen interest in the adequacy of cotton supplies for the textile industry. As in the past, the final outcome will be largely determined by weather conditions at planting time.

In India, with the largest cotton acreage in the world, a 2 percent rise in area over the 1975/76 level was tentatively indicated. Here, too, weather at planting time is the important factor.

Developments during 1976/77 in South America will largely turn on events in South Brazil where 1975/76 area—planted in late 1975—was cut at least 20 percent below that of a year earlier. This exaggeration of the recent downward trend in cotton area reflected grower dissatisfaction with cotton prices and an attractive alternative in soybeans.

"... foreign demand for U.S. cotton should rise in 1976/77 to 3.7-4.7 million bales from the 3.0-3.5 million projected for 1975/76."

Maintenance of present world price trends—cotton prices firm and soybean prices steady to weak—through the fall of 1976 should prompt recovery in cotton area to near the below-average 1974/75 level.

Government support price levels and tax policies could diminish or enhance this recovery. Minimum producer prices for the crops planted in late 1975 were raised 29 percent for seed cotton and 20 percent for soybeans.

In other important South American countries, cotton area in Colombia could return to the record 1974/75 level but any change in the area devoted to cotton in Peru and Argentina would be marginal.

FOREIGN COTTON PRODUCTION, CONSUMPTION, STOCK CHANGES AND U.S. EXPORTS

[In millions of bales of 480 lb net]

Year	Foreign production	Foreign consumption	Deficit	Foreign stock change[1]	U.S. exports
1971/72	48.7	49.5	0.8	+2.5	3.4
1972/73	47.7	51.7	4.0	+1.2	5.3
1973/74	49.2	53.8	4.6	−1.9	6.1
1974/75[2]	51.7	52.1	.4	+3.6	3.9
1975/76[3]	46.6	54.0	7.4	−4.0	3.3
1976/77[4]	50.5-51.0	55.2-55.7	4.2-5.2	− .5	[5]3.7-4.7

[1] Including destroyed and unaccounted for. [2] Preliminary. [3] Estimates. [4] Forecasts. [5] Implied demand.

In late 1975, Attachés in 16 important cotton importing countries also reviewed current and prospective cotton demand.

Outside the United States, consumer demand is beginning to pick up as general economic conditions improve, and cotton textile use at present is buoyed by current fashion trends favoring cotton and consumer interest in "the natural look."

Foreign non-Communist cotton importing countries now expect a 5 percent increase in cotton use during 1975/76.

Far Eastern countries have shown increasing signs of recovery in textile activity since last fall, and mill use of cotton should rise 12 percent above depressed 1974/75 levels.

Because of a modern and flexible textile industry structure and aggressive management, textile activity in Hong Kong has been steadily increasing to near capacity, with denims currently accounting for a big proportion of textile production and exports. Korea reported a slight upturn in activity beginning last October.

IN JAPAN, DOMESTIC consumer demand for all products was restricted by a low economic upturn through December. However, voluntary cutbacks in production reduced cotton yarn and fabric stocks sharply between January and August.

Consequently, production in the first quarter (August-October) of the current marketing season was reported above the depressed fourth quarter of 1974/75 (May-July) and Japanese mill use in 1975/76 is forecast to rise 12 percent to recover about half of last season's 740,000 bale (20 percent) decline.

Most West European textile industry spokesmen now agree that the bottom was reached in the textile recession there by the turn of the year.

While several countries such as the Netherlands and Switzerland expect consumption to slip even farther this season, others are looking for a moderate improvement in cotton consumption of 6-8 percent.

Raw cotton consumption in Western Europe has been trending gradually down during the past 25 years, reflecting increasingly uncompetitive production costs, aging plants, and growing use of manmade fiber.

Now third largest

Brazil Gains As Cigarette Leaf Exporter

By CHARLES J. O'MARA
Foreign Commodity Analysis, Tobacco
Foreign Agricultural Service

Brazilian tobacco growers examine seedlings in Santa Cruz, Rio Grande do Sul.

THE MOMENTUM of Brazil's advance in the world cigarette tobacco market was given considerable impetus last year as final estimates for the 1975 crop place total cigarette leaf production (excluding twist) at 221,606 metric tons—43 percent above the 1974 crop. The most dramatic increase occurred in Virginia flue-cured, which registered a spectacular 78 percent jump to 107,034 tons compared with 1974—three and a half times greater than production in 1973. The 1976 crop is forecast at 118,000 tons.

The 1975 burley crop went up at about the same relative rate as Virginia, moving from 15,000 tons to almost 27,000. The increase reflects the Brazilian industry's recent emphasis on improving burley quality and expanding production in an effort to duplicate the success of Brazilian Virginia in the world market.

Performance in 1975 should firmly put to rest concerns of the early 1970's about the availability of labor and land to increase production in the traditional cigarette leaf belts of South Brazil. The successive massive increases in output since 1973 have come entirely from these regions.

Historically, Brazil was a major producer and exporter of cigar and dark leaf tobacco. Since the late 1960's, these types have been overshadowed by increasingly larger crops and export sales of cigarette leaf. In fact, Brazil's present position in the world tobacco market is such that many forget that Brazil is a relative newcomer to this trade. In the 1965-69 period, for instance, Brazil did not place among the world's top five leaf exporters. Today, it ranks as third largest.

Thus, in less than 10 years Brazil's industry has made the transition from a strictly domestic orientation to one capable of meeting the needs of one of the world's fastest growing cigarette industries and an international market that consumes more Brazilian cigarette leaf every year.

Brazil's cigarette leaf exports in 1975 may have reached 140 million pounds, of which approximately 120 million was Virginia flue-cured. Exports of cigarette tobacco this year are forecast at 188 million pounds. By 1980, exports are expected to hit 300 million.

Of particular interest to the United States—the world's largest tobacco exporter—is Brazil's competition in many important consuming countries. Since the main component of the Brazilian blended cigarette is a native flue-cured variety (Amarelinho), most of the Virginia flue-cured is available for the export market. In the last few years, for example, at least 75 percent of Brazil's Virginia flue-cured tobacco crop has been moved into export.

The impact of Brazil's export trade is seen clearly in the changing pattern of tobacco leaf trade in the European Community—the world's largest market for leaf tobacco. During the 1965-69 period, the U.S. share of the EC-9 market was 36 percent. By 1974, the U.S. share dropped to 26 percent. During the same period, Brazil's share went from 5 to 8 percent, and the country established itself as the EC's second most important supplier.

By 1974, the EC increased imports from Brazil by 83 percent, compared with volume in the 1965-69 period. During the same period, takings from the United States fell by 9 percent.

This change in trade pattern is most dramatic in the substantial U.K. market. Since 1974, this area has become Brazil's third largest customer. In the 1965-69 period, Brazil's shipments to the United Kingdom had been insignificant.

By contrast, between the 1965-69 period and 1974, U.K. imports from the

Continued on page 16

MAJOR WORLD TOBACCO[1] EXPORTERS, 1974 COMPARED WITH 1965-69 AVERAGE
[In millions of pounds]

1974		1965-69 average	
Country	Quantity	Country	Quantity
United States	651	United States	553
Turkey	248	Turkey	175
Brazil	202	Greece	165
India	182	India	115
Greece	148	Rhodesia	112

[1] All types.

U.S. Foods Face Uphill Fight In Spain and Canary Islands

By DUGGER HARRIS
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ONE CAN hardly call Spain a booming market for U.S. consumer-ready foods, which in 1975 had less than 1 percent of the $776 million in U.S. farm sales to Spain.

Yet one of Spain's largest food importers is seeking to import more U.S. products, including canned corn, canned nuts, fruit cocktail, cake mixes, and instant cocktail mixes; a Canary Island importer is interested in handling U.S. prepared foods like meat dinners, meatballs, and spaghetti; and a number of other tradespeople cite opportunities for a wide variety of U.S. foods, ranging from poultry products to soy protein.

Such are the findings of a survey of marketing opportunities in Spain and its dependency, the Canary Islands, conducted jointly by USDA's Foreign Agricultural Service and the National Association of State Departments of Agriculture.

Discussions with some 38 tradespeople in the two markets disclosed some good reasons for the heretofore small U.S. consumer-ready food sales in Spain —estimated at only $6.1 million in 1974 and $4.3 million in 1973. These include high U.S. transportation costs, stiff competition from better established European suppliers, and the Spanish Government's emphasis on importing bulk products for further processing in Spain.

At the same time, however, the survey uncovered interest in selected food products, plus receptivity to more aggressive U.S. promotional efforts in Spain. And in the Canary Islands, there are even better opportunities.

Accordingly, a number of FAS-sponsored market development activities are scheduled for fiscal 1976. These include new product testing, trial marketing of such products, and a point of purchase promotion in a Madrid supermarket chain. Among the products tentatively scheduled for the promotion are textured vegetable protein products; canned tomato juice, fruit cocktail, green beans, peas, and other vegetables; condiments; meat and poultry products; ready-to-serve foods; hot sauces; and nuts.

Planning also is underway for a Spanish buying team to meet with food industry representatives in the United States.

Spain. With one of Western Europe's largest populations and fastest growing economies, Spain in the last few years has been a boom market for U.S. agricultural exports, which rose more than fivefold between 1968 and 1975 to total some $776 million. But virtually all the gain was in bulk products in response to greater needs of an expanding livestock industry, growth in food processing, and a general emphasis on production of value-added products. Those same conditions served to retard direct sales of U.S. food products.

Meanwhile, the rapid economic growth that carried U.S. trade steadily upward through 1973, had begun to lose momentum by 1974 as problems precipitated by the 1973 surge in prices for petroleum and other raw materials developed into Spain's worst economic crisis since the late 1950's. Among these problems have been a rapid inflation rate, approaching 20 percent in 1974; rising imports at a time of declines in revenues from exports, tourism, and remittances from Spaniards working abroad; and a general erosion of business confidence.

Yet so far incomes have been fairly well maintained, and consumers continue to budget sizable amounts of their income for food. Indeed, a plus for the U.S. food exporter is the tendency of Spanish consumers—reportedly now spending around half of their income for food—to place food first on their list of priority purchases.

Similarly, the survey revealed a number of U.S. foods with potential for sales expansion, despite the Spanish recession and general emphasis on importing bulk, rather than processed, foods. These products include popcorn; canned peanuts; whole and shelled pecans and English walnuts; prepared chip dips (clam, onion, chive, shrimp); peanut butter; textured vegetable protein products; packaged cake mixes; frosting mixes; instant cocktail mixes; canned pineapple; canned vegetables like asparagus, brussels sprouts, sweet corn, green peas, and green beans; dried prunes; and raisins.

The opportunities—as well as some of the problems retarding U.S. sales—were

Spain's Food Use Holds Despite Recession

Last year saw the Spanish economy caught in the throes of recession, yet the country's food consumption apparently suffered little from the hard times.

In a December 1975 speech touching on some of the problems, the Spanish Minister of Finance said that the country last year faced high levels of inflation and unemployment and a serious balance of payments deficit. The real gross national product in 1975 is estimated up only 1 perecnt, while the inflation rate was probably about 17 percent; unemployment, 4 percent; and the balance of payments deficit, $3 billion.

Spanish consumption levels, on the other hand, generally improved over those of the previous year. Total meat consumption moved up slightly. Consumption of bread grains, potatoes, and other starchy foods rose from their reduced 1974 levels. Use of feedgrains—much of this imported—rose sharply as a result of reduced pasture and range feed supplies. And consumption of fats and oils (largely from imported U.S. soybeans) grew moderately.

Some of the consumption gain was due to rising farm imports, which hit $2.1 billion in the first 9 months of 1975—19 percent above those in the same 1974 period.

disclosed in extensive interviews with food importers, processors, wholesalers, supermarket managers, food brokers, and other members of the Spanish food trade. For example—

• A customs agent for the U.S. Embassy saw no major obstacles to getting new food products into Spain. He added, however, that U.S. firms should have a technical explanation with each item to assist in moving it through customs, as well as all necessary accompanying papers and documents. He thinks the Spanish prefer imported products, if priced competitively, because of their reputation for high quality.

• Representatives of a major food wholesaler, said that they are now importing English walnuts and prunes from California and are interested in receiving canned nuts, cashews, brazil nuts, and pecans. This firm stresses quality products, concentrates on items not produced domestically, and likes to import directly from U.S. producers because of the cost savings.

• The food and beverage director of a large chain of international hotels is buying solely from Spanish markets at present. He would like to get imported portion-control meats into his restaurant hotels but is faced with the problem of Spanish Government control of meat imports. He also is interested in canned vegetables—brussels sprouts, asparagus, corn, and peas—and would like to talk with U.S. tradespeople concerning possible imports of chip dips and canned nuts.

"Yet so far incomes have been fairly well maintained, and consumers continue to budget sizable amounts of their income for food."

• A research consultant on market development and related activities, pointed out that distribution costs in Spain are very high, ranging from 18 to 25 percent of the landed price. He added that supermarkets charge another 12-14 percent markup, to put the retail price some 45-50 percent above the landed price.

A number of tradespeople stressed the importance of finding a good agent or product representative. General import agencies, most of which are located in Madrid or Barcelona, provide the most effective access to the Spanish market. Dealers in smaller cities usually obtain their supplies from such agencies, rather than importing directly.

Also considered important is a strong promotional program, taking into account the stiff competition provided from European food products. Currently, over half of Spain's trade is conducted with Europe, although the United States is Spain's leading single-country supplier.

Actual product entry into Spain is controlled by four principal licensing arrangements—liberalized imports, global quotas, bilateral trade, and State trading. Many imports, including a number of food products, fall into the liberalized category, which means that import declarations are required for statistical and foreign exchange purposes but licenses are not necessary. The other systems are more restrictive, being subject to licensing, quotas, and other regulations.

Applications for import licenses must be submitted to the Tariff Policy Imports Department in the Spanish Ministry of Commerce, or to a regional office of that Ministry. These licenses are generally valid for 6 months and in some cases may be extended.

Imports must also meet a number of Spanish labeling and health requirements. The latter include analysis of processed foods before they can be imported, followed by registration with the Public Health Administration against a serial number.

Duties on imports are fairly high, ranging from 10 to 35 percent ad valorem. Certain taxes also are applied, including a compensatory import tax ranging between 5 and 15 percent of product value, with the higher rate applied to finished products.

Canary Islands. A Spanish dependency consisting of seven islands about 150 miles off the coast of northwest Africa, the Canary Islands has long been accustomed to importing food products as supplements to a scanty agricultural production. Such trade has been encouraged by the free port status of Las Palmas and Santa Cruz de Tenerife; by the excellent port facilities of Las Palmas, one of the largest and busiest ports in this part of the world; and by a steadily growing tourist industry. In addition, a close proximity to Africa makes the Canary Islands an important receiving point for products destined for African nations.

Since they are already used to different tastes and products, consumers in the Canary Islands are more receptive to new products than are the Spaniards,

"... a close proximity to Africa makes the Canary Islands an important receiving point for products destined for African nations."

and their consumption habits generally are less traditional. For example, per capita consumption of popcorn is much higher here than in Spain, while this is a year-round market for ice cream, compared with a 4-month market in Spain.

Of course, as everywhere, trade prospects are not entirely rosy. The Islands' free port status makes them virtual magnets for food product exports, especially those from Europe, and products must be competitively priced to survive in the marketplace. Only one U.S. shipping line serves the Canaries direct on a regular (weekly) basis, and shipping by other lines entails reloading of products onto other vessels at some point—both a costly and time consuming method. Finally, stress increasingly is being placed on importing bulk products for further processing, owing to the greater ease and lower cost of delivering such products, plus the availability of low-cost labor for processing and packaging industries.

Still, the opportunities outweigh the drawbacks, making this in fact a better market for U.S. foods than the Spanish mainland.

Interviews with the food trade here, showed that U.S. foods are recognized for their high quality—a reputation that many tradespeople felt could be a useful marketing tool. The free-port status was seen as the chief advantage because of the absence of duties and other major impediments to trade. However, imports are subject to licensing, as well as to certain excise taxes, and products mov-

ing on to Spain are subject to all Spanish import duties and taxes.

Products found to have especially good potential include: Popcorn; canned or frozen chicken; canned or frozen turkey and turkey parts; frozen duck; canned, shelled, and whole nuts; canned pork, beef, and mixed meats; breakfast cereals (dry grain and pre-cooked mixtures); cake mixes, textured vegetable protein products; commercial ice cream mix; all types of dried fruits except raisins; rice; vegetable cooking oils; Mexican foods; diet foods (vegetables and desserts); tomato paste; packaged corn and wheat flour; fruit juice concentrates (all types); yeast and condiments; pizza; spreads, dips; chips; and T.V. dinners and other ready-to-serve foods.

Among the trade comments:

- One importer and distributor of food products cited the base cost and freight of U.S. products as deterrents to selling in the Islands. He added, however, that U.S. canned fruit might have good potential in the market if priced competitively, as would products brought in for further processing and packaging.
- Representatives of a major chain of supermarkets stressed the difference in eating habits from those on the Spanish mainland. They were optimistic about sales of competitively priced U.S. products, indicating an interest in point-of-purchase promotions and in meeting with U.S. sales teams. Currently, they are selling several lines of U.S. foods.
- A representative of a large food importer said that his company has been importing U.S. popcorn and chickens but has had difficulty getting a reliable supplier of popcorn, adding that they could sell 100,000 pounds of popcorn a month if it were available. The company would also like to receive product catalogs from U.S. companies and meet with visiting sales teams.
- An importer-wholesaler said he could see sales potential for such U.S. products as popcorn; peanuts; canned nuts; canned red meats and chicken; and prunes, raisins, and other dried fruits. His firm supplies mainly the military forces, African merchants, Spanish ships, and other ships passing through the ports.
- Another representative of a wholesale-retail operation, recommended that business be done through personal contact, adding that it was often difficult to get good response to sales brochures, flyers, or correspondence.

Nigeria's Producer Prices For Oilseeds Hurt Marketing

NIGERIA BOOSTED producer prices for vegetable oil crops early in 1975, but instead of significantly stimulating output, higher prices have created problems that have closed some mills, overloaded storage facilities, and put an extra strain on port installations, according to Lyle E. Moe, U.S. Agricultural Attaché, Lagos.

Because of marketing problems by farmers last year—and especially because of a sharp dry spell during the growing season—peanut production in 1975/76 is expected to be off from earlier estimates, while no large quantity changes are expected in this season's production of palm oil, palm kernels, soybeans, sesame, or sheanuts.

The marketing problem for peanuts is the result of the Northern States Marketing Board's policy of charging mill owners a price equal to that paid to the producer—about $405 per ton—plus the overhead expenses of the Marketing Board and licensed buying agents—another $100 per ton. This price, plus processing and marketing expenses by the mill, resulted in a total higher than the price at which oil and meal can be sold internationally. So plants are refusing to buy peanuts for export and some mills are being closed.

It is now expected that the Government will retain ownership of the nuts, pay the mills a fee for crushing them, and then sell the oil on the local market at a subsidized price. The Government also has placed a ban on the export of peanut oil, but no oil was being sold abroad in any case.

The peanut trade is pessimistic about a full-scale revival of the industry in the near future. While the higher producer price may help eventually, this is just one link in the chain of requirements. Fertilizers, sprays, and high-quality seeds are not readily available and there is a definite need for an effective extension service to assist the farmers, Moe said.

The marketing system under which buying agents often pay the farmer months after his nuts have been collected has discouraged interest in peanut growing. Reportedly the problem was worse in 1974/75 than it had been for a number of years.

Almost identical marketing problems face the operators of palm and cottonseed mills.

Mill offtake being limited, palm kernel storage sheds have been filled and marketing boards have stopped their purchases. This left the farmers, who can harvest kernels throughout the year, with no place to sell. Although the harvested kernels may eventually be bought by the marketing boards, these being the only buyers of significance, the delays in making purchases have discouraged farmers from increasing their collections of palm kernels.

To alleviate the storage situation, the Nigerian Produce Marketing Company (NPMC) has begun to export palm kernels. This would not be necessary, were it not for the pricing problems. The country now has six crushing mills—most of them new—whose combined crushing capacity of some 315,000 tons a year is enough to process the entire domestic crop.

Efforts to export the kernels complicate the country's shipping situation as the Nigerian port backup has caused a limit to be placed on the time ships can stay in berth for loading. In some states, the marketing board's palm kernel storage sheds have remained full with no movement for as long as 6 months.

There have also been problems in getting ships to load palm kernel cake. Because of resulting delays in making delivery, mills have had to pay penalties for failure to fulfill contracts. There has been no problem connected with loading vegetable oil since this is piped directly to the waiting ships.

Cottonseed has also been piling up, although some has been crushed locally and most of the resulting crude oil has been exported since Nigerians do not like the taste of unrefined cottonseed oil.

"A proposal has been made to set up a small vegetable oil refinery. This makes good sense as Nigeria is importing increasingly large amounts of refined vegetable oils. This is ironic as a decade ago Nigeria was one of the main suppliers of vegetable oil to world markets," Moe said.

Production. Timely and nearly ade-

quate rains early in the 1975/76 season aroused hopes for a Nigerian peanut crop well in excess of half a million tons. But the dry spell, grasshopper infestation, particularly high incidence of green rosette virus, and a low rate of replantings caused a drastic scaling down in the estimate.

In general, rains throughout the country were average or better, despite the early spring dry spell in northern Nigeria. And even the northern area received rain throughout September, which is later than normal.

The early expectation by the trade was for a 1975/76 marketed peanut crop of 600,000 tons[1] (shelled basis). The trade now believes that the crop will be substantially lower than the previous year's and sets output at 100,000 tons. Others say marketable production may be as small as 50,000 tons.

The size of the marketed crop will be affected by the volume of peanuts smuggled out of the country and the extent of village crushings. The amount of nuts thus disposed of each season is unknown, but reports indicate that depletion from both was at a high level last year.

YIELDS THIS YEAR are expected to be lower because the dry period caused a drop in the number and size of peanuts per plant.

A shortage of seed discouraged some farmers from planting peanuts originally and poor crops of the 2 previous years also influenced them. Farmers remembered the extended delays in receiving payment for peanuts sold to licensed buying agents in 1974/75. Many farmers turned away from peanuts to the production of food crops whose profits offered a high-paying alternative.

No attempts are normally made by the Nigerian Government or the trade to determine year-to-year variances in peanut acreage. The current unofficial estimate is that the area is around 920,000 hectares—down 5 percent from the 1974/75 level.

The cotton crop is expected to be substantially larger in 1975/76 and cottonseed production may approach 114,000 metric tons—22 percent over last season's level, according to Moe. Cotton is grown in an area somewhat south of the main peanut growing region and thus was not affected by the dry spell. Cotton area is estimated at 705,000 hectares, up about 5 percent from the previous season's level.

Palm oil production is estimated at 500,000 tons, a modest increase over the estimated 1974/75 level of 485,000 tons. The size of the current palm fruit crop—also the result of favorable weather—and the high local market price for palm oil have encouraged more village processing this year.

Palm kernel production is not expected to increase this year because of the problems connected with their marketing. The production level is estimated at 290,000 tons, but final outcome will depend on the strength of the export market.

At present the bulk of Nigeria's palm oil and kernel production comes from semiwild oil palm groves operated by smallholders who are having labor problems. The growth in the economy has encouraged the country's youth to head for the towns rather than up the palm trees. And in 1976, universal primary education is getting underway and the attraction of the classroom may draw other palm tree climbers away from the groves, further complicating the collection of oil palm bunches.

Nonetheless, reports from the oil-palm growing States indicated a strong demand by farmers in 1975 for oil palm seedlings—a response to the new, higher producer prices, Moe said.

World Bank-financed oil palm projects are beginning to get underway, but any production from these projects is a number of years away. At full maturity in 1990, their output could reach 100,000 tons of palm oil and 22,000 tons of kernels. Also, Nigeria's 1975-80 Development Plan includes State and Federal Government intentions to increase palm oil and kernel production on plantations. But a tight domestic palm oil supply situation is expected for the foreseeable future.

Increased soybean production is being studied, but little action has been taken to boost outturn. "Food crops remain a relatively attractive alternative," Moe said.

"Marketing board purchases of soybeans totaled only 558 tons in 1974/75, but they are estimated to reach 800 tons in 1975/76. A large-scale farming project in Mid-Western State, being done by an American company, is planning to utilize soybeans in the rotation. If the initial plantings are successful, rather large areas could be made available to soybeans," he noted.

There are no known projects underway to expand sesame production. The marketed crop totaled 3,919 tons in 1974/75 and is estimated at around 4,500 tons for 1975/76—a rise of 15 percent. Again, good weather and higher producer prices accounted for the increase in sesame output.

SHEANUTS ARE not handled by marketing boards. The extent of pickings of the wild nuts is largely determined by the price paid by traders which is determined by the world price. There is reportedly a good crop in 1975/76.

Exports. European Community countries took most of Nigeria's exports of oilseeds and vegetable oils, with the United Kingdom being the most important customer for most categories. Japan and the People's Republic of China were the only important Asian purchasers. By category, Nigeria's exports to its top customers in calender 1974, in metric tons, were:

Peanut oil—The United Kingdom, 17,993; the Netherlands, 4,140; and West Germany, 1,524; total shipments, 25,496.

Peanuts—The United Kingdom, 11,447; France, 7,982; and Switzerland, 6,696; total shipments, 30,350.

Peanut cake and meal—The United Kingdom, 24,596; Ireland, 7,409; total shipments, 32,517.

Palm kernel cake and meal—West Germany, 14,867; the Netherlands, 14,641; Belgium/Luxembourg, 11,924; total shipments, 49,914.

Palm kernels—The Netherlands, 95,635; the United Kingdom, 44,217; West Germany, 23,373; total shipments, 185,551.

Palm kernel oil—The United Kingdom, 20,705; Belgium/Luxembourg, 13,817; the Netherlands, 3,216; total shipments, 38,462.

Soybeans—The United Kingdom, 515; Italy, 454; total shipments, 969.

Cottonseed—The Netherlands, 4,883; Japan, 3,742; West Germany, 2,501; total shipments, 11,126.

Sheanuts—Japan, 12,425; the United Kingdom, 7,071; Denmark, 3,706; total shipments, 27,208.

Sesame seed—Italy, 2,167; People's Republic of China, 1,081; total shipments, 3,248.

Full year data for 1975 are not as yet available.

[1] All tons are metric.

World Recession Shrinks Dutch Textile Industry

By CHRISTIAN J. M. LANGEZAAL
Office of U.S. Agricultural Attaché
The Hague

FEW COUNTRIES have been spared the trauma of the world textile recession, and the Netherlands is not one of them.

Since mid-1974, sales and production by Dutch spinners and weavers have decreased dramatically. As in many other countries, an overall economic recession has resulted in lower demand for textile products, and prices have fallen. An influx of low-priced foreign textiles has put a severe strain on the Netherlands domestic industry. Though the import flood may abate somewhat in 1976, there is little in the present outlook to encourage Dutch tradesmen.

Over the years, imports have supplied a growing share of the Dutch market for yarn, fabric, and finished apparel. To defend its market position, the Dutch textile industry has concentrated increasingly on high-quality products, and investment has been geared to that type of production.

The Netherlands domestic market for high-quality products was severely eaten away by the country's economic recession. When consumers have less to spend they tend to cut back their textile buying altogether, or purchase the least expensive product.

To make matters worse for the Dutch, other countries' textile stocks were also high and had to be sold. Many of the so-called low-wage[1] countries, plus the United States, increased their textile exports to the Netherlands. The influx of lower-priced imports further eroded the Dutch industry's share of the domestic textile market.

Dutch imports of U.S. textile products grew somewhat in 1974/75, but purchases of U.S. raw cotton declined nearly 20 percent.

Last spring the Dutch textile industry approached the Government with a number of requests and suggestions, aimed primarily at slowing down imports of low-priced textiles.

The Government responded in May by making a number of textile products, including knitted clothing and underwear, subject to import licensing. Although the licenses are freely available to the import trade, the procedure enables the Government to monitor imports in advance and take any corrective measures as soon as possible.

The textile industry made several other requests that are still awaiting Government action:

- Licensing of all textile and ready-to-wear clothing imports from third (less developed) countries.
- Extension of the Benelux[2] system of monitoring the prices of textile exports by Eastern Europe to monitoring of all third-country textile exports.
- Enactment of European Community restrictions on textile imports from third countries causing market disruption in the EC, under the provisions of Article 4 of the World Textile Agreement. The restrictions could also include the United States. As of December 1975, EC has concluded agreements with a number of Asian countries including Pakistan, Hong Kong, Taiwan, Korea, and India. Negotiations were still underway with Brazil, Colombia, and Mexico.
- Unilateral measures to curb textile imports to the Netherlands under Article 3 of the World Textile Agreement, to be taken in the event that EC-wide regulations could not be agreed upon in the short term.
- Government subsidies to enhance Dutch textile exports. These might be used to hedge against currency fluctuations, finance credit and credit insurance, and assist with fairs and exhibitions.
- Either continuation of restraints against foreign competition, or compensation of the Dutch industry for the consequences.

Although many West European countries have been troubled by expanded imports of low-priced textiles, the Netherlands difficulties are probably the most acute. With the possible exception of West Germany, other West European countries have more restrictive import policies, and consequently, better protection against imports.

There are a number of reasons why Dutch imports of textiles have increased as rapidly as they have, including:

- Liberal Dutch import policies and relatively low import duties.
- The unofficial but steady revaluation of the Dutch guilder, which improves the competitive price position of imports from countries with weaker currencies.
- Diversion to EC markets of textile imports that have heretofore moved to the United States, which has been more successful than the EC in curtailing textile imports from low-wage countries under Article 4 of the General Agreement on Tariff and Trade.
- Decreasing raw cotton prices. When cotton prices were rising, labor costs held a declining share of the price of the finished product. Conversely, the recently low cotton prices have worked to the disadvantage of the Dutch textile industry, which has relatively high labor costs.
- Rising textile imports from the

[1] **Countries in Eastern Europe, Africa (except south Africa), Southeast Asia, South America.**

[2] **Belgium, Netherlands, Luxembourg.**

A large cotton spinning operation near Amsterdam. Rising labor costs have forced mills like this one to invest in high-cost machinery; many smaller firms have had to close.

United States, where labor costs are no longer higher than in the Netherlands and naptha and raw cotton prices are lower. Until recently the decreasing exchange rate of the dollar was an added factor.

• Textile overproduction in West Germany, which has swelled West German exports and reduced its demand for Dutch imports.

The Dutch Government is faced with a troubling decision. Historically, the Netherlands has been a free-trading nation, and with good reason: more than half the Dutch gross national product is related to foreign trade, compared with 5 percent for the United States.

On the other hand, the Dutch Government has the jobs of 22,000 people in the cotton industry and 35,000 in the clothing industry to protect. The Government will have to weigh these considerations carefully before it can take unilateral action in trade restrictions.

The Dutch spinning and weaving industry has gone through years of sometimes painful restructuring. Sharply rising labor costs have forced mills to invest in high-cost machinery. Many smaller mills that could not keep up with the changing times have already disappeared.

Today the Dutch textile industry is viable and has large, efficient production units. Production is highly integrated.

In the first part of 1974, the industry had the feeling that its costly modernization efforts in the past had not been in vain. Order books were relatively full and prices wree attractive. First-half yarn exports were 7 pecent above those of the same period in 1973, and exports of woven fabrics had climbed more than 15 percent.

BUT THE EXPANSION stopped abruptly. Third-quarter 1974 yarn exports were 18 percent less than those of a year earlier, and woven-fabric shipments dipped 9 percent. Domestic yarn consumption fell at the same time.

The situation has continued to worsen for the Dutch textile industry. Summer 1975 figures were more disappointing than those for the first half of the year, and prospects for improvement are dim.

The Dutch are hoping that an upturn in the U.S. economy will increase textile sales there and relieve the severe competition from U.S. polyester/cotton (65/35) blends in the Dutch market. In the Netherlands, Dutch-produced polyester/cotton was offered at $1.34 per running meter during summer 1975, while the same product imported from the United States sold easily at 95 cents per running meter. An influx of low-priced yarn and cotton-woven fabrics from Brazil and Turkey worsened the plight of Dutch textile manufacturers.

Employment in the Dutch textile industry is already suffering. The textile labor force was 7 percent smaller in the first quarter of 1975 than it was in the same quarter of the previous year. In March 1975, 16,400 textile laborers, employed by 74 companies, were working short hours, compared with 600 laborers with 8 companies in November 1973.

The decline in activity by the Dutch cotton industry is having its effect on the country's raw cotton consumption and trade. Raw cotton imports in 1974/75 were less than 170,000 bales (480 lb net), compared with 200,000 bales purchased in 1972/73 and 230,000 bales in 1973/74. Imports from the United States totaled 22,600 bales in 1974/75, compared with 26,800 bales in 1973/74.

The Dutch industry is aware that the textile pipeline is nearly empty. Inventories at most levels of the production/distribution chain are at minimum levels. With stocks low, any upturn in demand for textiles should immediately result in increased activity by raw cotton importers, spinners, and weavers in the Netherlands.

During the last quarter of 1975, the Dutch cotton industry noted a slight surge in demand for its products. Competition from U.S. cotton/polyester blends became less severe, and imports from Asian countries were, as a result of recent agreements with the EC, also lower.

Price levels, however, are still unsatisfactory. The Dutch cotton textile industry may enjoy a slight recovery in 1976 as imports from low-wage countries and the United States decline.

In the long range, there may be one advantage of the textile recession for those in the Dutch cotton industry. The increase in purchases of apparel from the low-wage countries has broadened Dutch consumers' exposure to cotton since the imported products tend to have higher percentages of cotton than domestically manufactured textiles.

This broadened exposure should complement research and promotion that has stressed the improved properties of cotton textiles and help to widen consumer demand for cotton products in the Netherlands.

Cotton Stocks May Make Venezuela Net Exporter

By JAMES W. WILLIS
Assistant U.S. Agricultural Attaché
Caracas

IN 1975/76,[1] FOR THE first time—at least in recent history—Venezuela may be a net exporter of cotton following 2 years of peak crops. Much, however, will depend on international prices since Venezuelan cotton is at present priced above current world market levels.

Venezuelan cotton producers, reacting quickly to attractive Government support programs that offered high guaranteed producer prices, harvested record crops during 1973/74 and 1974/75 that resulted in supplies in excess of domestic demand. Cotton stocks doubled during 1974 and tripled during 1975.

The Government is now turning toward sales in overseas markets as a possible means to reduce these burdensome supplies of cotton.

Due to the high wholesale price of Venezuelan cotton compared with prices on international markets, the Government raised the subsidy on a limited quantity of cotton exports to 45 percent of the sale price, but decreed that an amount equal to only 25 percent of the nation's current consumption requirements may be exported at the 45-percent subsidy rate. Any additional cotton exports will be subsidized at the previous rate of 30 percent. This means that only about 8,000 tons could be exported at the higher rate.

The current wholesale price of the least expensive grade of Venezuelan cotton is currently about 69 U.S. cents per pound versus 50 cents per pound for the same type available for export from the United States during mid-December.

[1] **All years are U.S. fiscal years, ending June 30, unless otherwise noted.**

A recent Government decree states that the Venezuelan textile industry must maintain cotton stocks equal to 3 to 10 months of consumption needs, or 8,000-27,000 metric tons of lint cotton. If the entire textile industry were to maintain stocks only equal to the 3-month minimum level, Venezuela could have 12,000 metric tons of cotton available for export during 1976.

But foreign sales at this level are unlikely since exporters are expected to incur difficulties in shipping 8,000 tons, even with the 45-percent subsidy rate and should have less success in selling cotton abroad at the 30-percent rate.

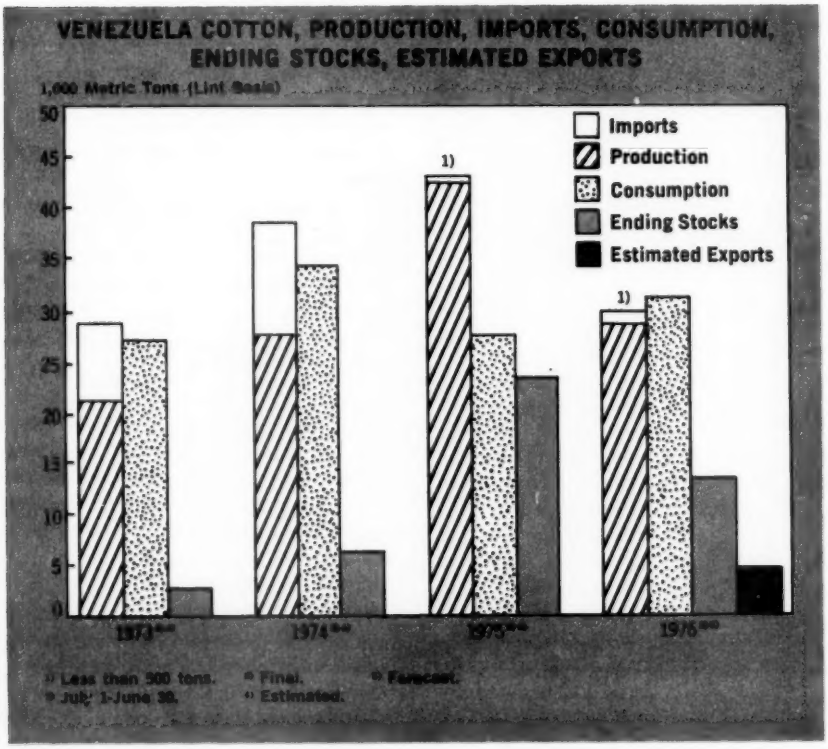
One of the chief factors contributing to the size of the Venezuelan cotton stock buildup was a large fluctuation in industry use in recent seasons. A strong demand by the local textile industry—due to increased local fabric needs and a good export market for such products as denim—resulted in increased textile product outturn during much of 1974. However, by the end of that year, demand slackened and stocks of textile products and lint cotton began to accumulate.

Some manufacturers apparently reduced their output of textile products in 1975 and drew down existing textile supplies. This led to reduced cotton fiber consumption and an increase in cotton stocks because of another bumper harvest during this period.

Because of the lower cotton outturn and higher consumption expected during 1976, Venezuela's cotton stocks should begin to decline, even without exports. ANCA, a cotton cooperative reportedly composed of 65 percent of Venezuela's cotton producers, has asked its members to reduce plantings this season by 50 percent.

No cotton import licenses were granted in calendar 1975 although 100 tons of extra-long staple cotton may be needed before the end of 1976. Import needs can best be gaged during the last half of calendar 1976 after the 7,000 hectares planted to long-staple cotton (1¼″) and the 300 hectares of extra-long staple cotton (1⅜″) are harvested.

Import needs for these longer staples may also be dependent on recent Government regulations. The Government plans to embargo synthetic fiber imports and has requested that the textile industry use increasingly larger quantities of cotton compared with synthetics.



USSR To Issue Internal Passports To Farm Residents

The Soviet Union has amended its internal passport system to permit collective farmers and other rural residents to obtain internal passports for the first time.

Soviet internal passports are identity documents formerly issued only to citizens of the USSR living in cities and other urban areas, border zones, and the Moscow and Leningrad areas. Their original purpose was to control migration to overcrowded cities and to maintain the size of the farm labor force.

Under the new regulations, all Soviet citizens—presumably including collective farmers and other rural residents—will receive passports at age 16. Others will receive passports if they obtain permission to move or to be absent for extended periods. The regulations are silent as to whether older rural residents will receive internal passports automatically or only when they seek to move.

Soviet internal passports contain such information as date and place of birth, place of residence, marital status, minor children and dependents, and nationality of the holder. Passport photos, following issuance with each citizen's first passport at age 16, must be retaken at ages 25 and 45.

Increased migration from Soviet rural areas is not expected. The system of registration and deregistration of residence—which requires that a potential internal migrant get permission to move from authorities at both present and proposed places of residence—remains in effect and significantly restricts migration.

However, the new system reflects an improvement in the status of rural residents. Collective farmers are widely considered to be inferior to other Soviet citizens, primarily because they have clung to older methods and have tried to maintain their peasant lifestyles and are recognizable as a distinct group.

Passport regulations previously in effect had the effect of marking rural residents as a separate class in Soviet society and tended to perpetuate that distinction.

The Soviets are modernizing the collective farm sector and improving rural living standards. By granting the right to hold passports, the Government may ease the class distinction that has existed and hasten the peasants' transition to modern Soviet society.

—JUDY GOLDICH, ERS

Australia's Wheat Research Benefits From Tax Increase

The Australian Government on October 1 increased the tax on domestic wheat from 11 to 15 Australian cents per ton—the maximum allowed under the Wheat Tax Act. The increase had been recommended by the Australian Wheatgrowers' Federation.

The Government will match grower contributions on a dollar-for-dollar basis to provide additional funds needed to meet increases in research costs and to tackle new problems confronting the Australian wheat industry. About A$2.5 million is to be spent on wheat research during 1975/76, with the Government and wheatgrowers each contributing half.

Approved research projects are undertaken by State departments of agriculture, universities, research institutes, and the Commonwealth Scientific and Industrial Research Organization.

Since the Wheat Research Act came into operation in 1957, the Australian Government and wheatgrowers have provided more than A$25 million for wheat research projects in Australia.

USSR Sugar Estimate Revised Upward

USDA has revised upward its estimate of the outturn of sugar from the 1975/76 Soviet sugarbeet crop.

Previously, beet sugar production was estimated at 7.5 million metric tons, raw value. Now, it is revised upward to 8 million tons. This increase is based on higher than average extraction rates evident in September-December processings.

It now appears that Soviet imports in calendar 1976 will be comparable to the 3.15 million tons, raw value, imported in 1975. (Because of a typographical error, the 1975 figure was listed as 3.51 in the February 9, 1976, issue of *Foreign Agriculture*.)

Yugoslavs Inspect Farm Trade Items

Yugoslavia now requires quality-control inspection of four export and 28 import categories of agricultural products.

Commodities that must be inspected before export include live cattle (calves, young cattle, and other cattle); beef chilled and frozen (including veal and baby beef); canned meat; and wine.

Items that must be inspected prior to entry into Yugoslavia include meat, chilled and frozen; meat products; dairy products; eggs; deciduous fruit; nuts; citrus and tropical fruit; grapes; dried fruit; fruit juices; jams; marmalades; pulps and other fruit products; vegetables and products; peanuts; coffee; tea; spices; additives; salt; grain and products; lard and vegetable oils; sugar; honey; wine and alcoholic beverages, including beer; hops; mixed feed; and soft drinks.

Government inspectors will examine the affected items for quality, quantity, packing, labeling, containers, and mode of transport at 20 inspection points in various parts of the country. Certificates will be issued for commodities that meet Yugoslav standards and/or buyer's specifications.

Zaire Signs Argentine Firm To Manage Government Ranches

Zaire's Office for Development of the Cattle Industry has signed an agreement with an Argentine firm (Latino Consultants S.A.) to develop and manage 30,000 head of cattle on three Government ranches covering 840,000 acres. Later, the project is to be expanded to cover 90,000 head of cattle on about 1.3 million acres. Total cost is estimated at $9.5 million over a 5-year period. All ranches are in the Shaba region.

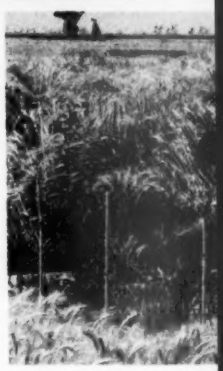
Emphasis is to be given animal mortality and growth rates, improved pastures, classification of animals by weight, improved sanitary conditions, and herd management on open range (Argentine horses and a gaucho have been imported in connection with the final point).

Breeding stock is being imported from Botswana in order to improve native stock and increase the current level of disease resistance.

New varieties show promise

India's Researchers Seek Higher Yielding Seeds

By D. V. KHOSLA
Office of U.S. Agricultural Attaché
New Delhi



Above: Rice ripening in Andhra Pradesh, India. Because new varieties mature in a short time, farmers can harvest three crops a year. Right: Workers at Pantnagar University, Uttar Pradesh, record progress of wheat varieties on experimental plot.

ALTHOUGH INDIA'S foodgrain outturns showed dramatic improvement between the 1967/68 and 1970/71 crop years as a result of introduction of high-yield varieties of seeds and emphasis on improved capital inputs, production is now on a plateau. New impetus is needed and must become reality if India is to feed its population, which is expanding each year by 2.2 percent or 13 million persons.

The high-yield varieties program has made rapid progress in India since the mid 1960's. In 1966/67, about 1.9 million hectares were planted to high-yield varieties of wheat, rice, and coarse grains. Total area under high-yield varieties increased to an estimated 15.3 million hectares in 1970/71.

The rapid expansion of area, greater usage of fertilizer and other improved cultural practices, plus good growing weather resulted in the Green Revolution. Total production of foodgrains reached a record 108.4 million tons in 1970/71 from 89.4 million tons in 1964/65, the year preceding the 2 drought years of 1965/66 and 1966/67, when production had declined to 72.3 million tons and 74.2 million tons, respectively.

Per hectare yields of total foodgrains increased to 872 kilograms in 1970/71 from 757 kilograms in 1964/65, to 629 kilograms in 1965/66, and to 644 kilograms in 1966/67.

But despite the continued rapid expansion of area under high-yield varieties, total foodgrain production declined in the next 3 years. Poor weather, shortage of irrigation water, and inadequate supplies of fertilizer were primarily responsible for this decline, but the loss of vitality of high-yield strains also played a significant role.

India's efforts to increase wheat yields have been particularly successful. All wheat is grown in the rabi season (harvested in spring), largely under well-controlled irrigation when responsiveness of fertilizer is high. Total area under high-yield varieties of wheat increased from 500,000 hectares in 1966/67 to 6.5 million hectares in 1970/71 and to 7.9 million hectares in 1971/72.

Total production of wheat increased from 12.3 million tons in 1964/65—the year preceding the 2 drought years—to 23.8 million tons in 1970/71, and to a record 26.4 million tons in 1971/72. Per hectare yields of wheat increased from the 1964/65 level of 913 kilograms to 1,307 kilograms in 1970/71 and to 1,380 kilograms in 1971/72.

The rice program has made relatively slow but steady progress over the years. Unlike wheat, rice is grown under varying conditions of soils and climate, which are often unfavorable for optimum growth and production.

Total area under high-yield varieties of rice increased from 900,000 hectares in 1966/67 to 5.5 million hectares in 1970/71 and to 7.2 million in 1971/72. Total production of rice increased from 39.3 million tons in 1964/65 to 42.2 million tons in 1970/71, and to 43.1 million in 1971/72. After declining to 39.2 million tons in 1972/73, it increased to 43.7 million tons in 1973/74.

Per hectare yields of rice increased from 1,078 kilograms in 1964/65 to 1,123 kilograms in 1970/71, to 1,141 kilograms in 1971/72, and to 1,151 kilograms in 1973/74.

Recognizing that existing seed varieties were unsuitable for the new production techniques made possible by increased fertilizer application, improved water supplies, and pest control, Indian scientists—backed by the Rockefeller Foundation — launched an intensive effort to develop and introduce new seed varieties that would respond to these production inputs.

A plant breeding program was begun and pursued vigorously to adapt high-yield short-stem varieties of rice and wheat to Indian conditions and to develop hybrids of Indian types of corn, milo, and millet. AID supplied selective technical support for this program.

Research and development in high-yield varieties of wheat included experimentation with Mexican dwarf varieties on a selected basis. In 1963, four Mexican short-stem varieties of wheat—Sonora 63 and 64, Mayo 54, and Lerma Rojo—were imported and tested. Of these, the Sonora 64 and Lerma Rojo varieties were selected for breeding. Although the grain was not fully suited to Indian tastes, it was acceptable and proved to have excellent genetic adaptability.

Soon after the Mexican varieties of wheat were imported, a breeding program was undertaken at the Indian Agricultural Research Institute at New Delhi and the agricultural universities at Ludhiana, Punjab, and Pantnagar, Uttar Pradesh.

Selection and breeding, including gamma radiation, resulted in amber-

colored varieties more suited to the preferences of Indian consumers. In some of the dwarf varieties, yields of 65 bushels per acre or more were achieved.

Among the indigenously developed high-yield wheat varieties, Kalyan Sona and Sonalika have made major contributions in achieving excellent gains in wheat production in India. These two varieties continue to dominate, even though it has been 7 to 8 years since they were first released. Their genetic viability has lasted longer than is generally the case but may be diminishing, as indicated by the serious rust infestation in 1972/73 that considerably reduced yields.

Recognizing that new disease-resistant varieties must be developed, Indian plant breeders have introduced several new high-yield varieties of wheat. One, for example, which is promising and is being multiplied, is Arjan.

The time-consuming search for new wheat varieties to replace those that appear to be running out is continuing, and Indian agricultural scientists are devoting their attention to the problem.

Iran Moves To Develop Farm and Food Production

IRAN HAS RELEASED in recent months various studies and plans to gain a greater proportion of its agricultural requirements from domestic production, particularly of food items, according to Paul J. Ferree, U.S. Agricultural Attaché in Tehran.

One study, carried out by a United Kingdom firm, has evolved into a National Cropping Plan that will be put into effect after agricultural officials set regional guidelines. The Government will then make available credits, extension services, and marketing and infrastructure facilities.

A similar study of the livestock sector carried out by a U.S. firm has been converted into an Animal Protein Master Plan. It is believed it will be used as a guideline to develop the livestock, dairy, and poultry industries.

Some 20 agricultural "pole" areas have also been identified and development reportedly has been started in seven. A pole area is a regional center at which are located farm cooperatives, food stores, crop marketing units, and other infrastructure elements.

The pole concept was introduced in Iran in June 1975 as a means of concentrating priority agricultural development in areas with good water and soil potential.

Consolidation of farm units to achieve economy of scale is another important policy of the Iranian Government, Ferree reports. Small private holdings, distributed under the agrarian reform program and earlier land distribution programs, will be regrouped so that no farm will be less than 20 hectares in size.

The Government also announced that various farm organizations that have been formed in recent years will probably be retained. These included the Rural Cooperative Societies, now numbering about 3,000 with a membership of some 2.5 million farmers; 65 farm corporations; 24 production cooperatives; and approximately 400 agribusinesses—mainly privately owned, but with a few organized by the Government of Iran.

The Iranian Agricultural Minister reportedly favors eventual transfer of all Government agro-industry complexes to the private sector, although the Government would apparently continue to finance some.

Regional development banks are being established to make loans to operators of small farms at 5 percent interest and at 6 to 8 percent to those running larger, more modern farms, Ferre said. Long-term 6-percent loans are available for financing up to 60 percent of the cost of establishing rural industries. For rural cooperatives, the Government will pay 20 percent of the cost of establishing a rural industry and finance the rest with a 2-percent loan. It will also participate in the financing of certain categories of rural housing.

Grants are available to pay up to 85 percent of feasibility studies for irrigation and drainage when related to establishing an agro-industry or livestock project. Grants to cooperatives and farm corporations can be used to defray the cost of erecting offices, machine shops, stores, fish ponds, and for the maintenance of housing.

Government subsidies cover the freight cost of imported dairy cattle; 50 percent of the cost of irrigation, drainage, and land leveling projects by agro-industries; 20 percent for fertilizer, 50 percent for seed; and the full cost of insect control on farms under 100 hectares, 20 percent for larger farms.

IN ADDITION TO producer subsidies, the Ministry of Commerce's Foreign Transaction Company is spending about $1.91 billion to subsidize consumer purchases over a 2-year period ending March 1976. The subsidies apply to consumer purchases of rice and feedgrains, sugar, fruits, and meat, poultry, wheat, and dairy products, and cement.

In October 1975, the Government also announced that all companies, including joint ventures with foreign concerns with capitalization of over 100 million rials (Rls 69.275 = U.S. $1) or sales of 200 million rials or more, must allow workers to acquire 49 percent of each firm's total shares. Holdings by foreign investors are also limited, depending on the type of industry.

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Brazil Gains as Cigarette Leaf Exporter *Continued from page 5*

United States fell by 20 percent. Only Italy and France increased their imports from the United States in this period, but Brazil gained in every member country with the exception of Denmark.

Another important aspect of Brazil's rise to prominence in the cigarette leaf export trade is the large increase in U.S. imports from Brazil. In the 1965-69 period, the United States purchased an average of 3.7 million pounds of tobacco from Brazil—mainly cigar types. By 1974, import shipments hit almost 12 million pounds with the larger share in cigarette leaf. General imports (arrivals that have not cleared customs) were reported to be several million pounds higher.

Brazil has not only mounted stiff competition to U.S. cigarette tobacco trade, but also has bettered all its competition in filling the void in the world market created by the withdrawal of Rhodesia, once the world's second largest tobacco exporter.

Many factors have contributed to Brazil's success in the world cigarette leaf market. Perhaps the single most important factor, aside from favorable natural conditions, has been the emergence of new exporting firms. In addition to massive amounts of capital and know-how, which served to quickly expand production and greatly improve cultural practices, these firms brought with them a keen awareness of the type of leaf the world market wanted and the price the market was willing to pay.

Helping to insure the success of the industry's efforts has been the lack of Government involvement in the tobacco industry, which left production, price, and export policy decisions in the hands of the industry. This combination of the Government's "hands-off" attitude and the private sector's aggressive modernization of the industry has resulted in Brazil's ability to offer a dependable source of supply at a reasonably competitive cost.

Brazil's expansion in the world market is expected to continue. Relative increases may not be as dramatic over the next 5 years but production, nonetheless, is expected to climb as double cropping in traditional areas increases and production in new areas expands significantly.

Brazil's tobacco exports to the United States and the EC may also increase as the manufacturing industries in these markets seek lower cost raw material. Moreover, Brazil's eligibility for reduced duty under the EC's generalized preference plan will help to assure an even larger share of the EC market.

Also, in the next 5 years, Brazil is expected to become a major factor in the Japanese market. Production schemes, guided and financed by the Japanese Tobacco Monopoly, have already taken important first steps in meeting this goal. In addition, as sales of blended cigarettes grow in neighboring South American countries, Brazil will benefit from duty preferences under the Latin American Free Trade Organization in serving this market.

EUROPEAN COMMUNITY:[1] RANK, MARKET SHARE, AND IMPORT VOLUME OF MAJOR SUPPLIERS, 1974 COMPARED WITH 1965-69 AVERAGE

1974				1965-69 Average			
Supplier	Rank	Market Share	Quantity	Supplier	Rank	Market Share	Quantity
	Number	*Percent*	*Million pounds*		*Number*	*Percent*	*Million pounds*
United States	1	26	300	United States	1	36	330
Brazil	2	8	87	Greece	2	8	71
India	3	7	80	India	3	6	51
Canada	4	6	70	Canada	4	5	48
Turkey	5	6	67	Brazil	5	5	48
Greece	6	4	48	Rhodesia	6	5	44
Indonesia	7	4	46	Bulgaria	7	4	31
South Korea	8	3	33	Turkey	8	3	28
Malawi	9	3	33	Malawi	9	2	22
South Africa	10	2	27	Indonesia	10	2	22

[1] Nine member.

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